



February 1, 2016

Federal Election Commission
999 E Street, NW
Washington, DC 20463

RE: MUR 6824
Eugene Yu for Congress,
FEC ID C00547158 (formerly known as Eugene Yu for Senate)

Dear Commissioners:

I am writing on behalf of my clients, Eugene Yu and Eugene Yu for Congress ("Committee") in response to your letter dated December 22, 2015.

Facts

On July 1, 2013, Jonie Yu, with the consent of Eugene Yu, and Wayne Brown (through his wholly owned LLC, WayneWork LLC) entered into a Contract of Partial Sale providing Mr. Brown the option to purchase up to a fifty percent (50%) ownership interest in property jointly owned by Mr. and Mrs. Yu, located on Bertram Road, in the city of Augusta, County of Richmond, Georgia (hereinafter referred to as the "Property") for a sum of six hundred fifty thousand dollars (\$650,000). A copy of the Contract is enclosed in this Response. In accordance with the Contract, Mr. Brown acquired his share of ownership of the Property on a percentage basis as he paid monies under the Contract. Mr. Brown paid Mr. and Mrs. Yu the sum of \$650,000 between approximately August 2013 and July 2014 in exchange for Mr. Brown's ownership interest in the Property.

On July 17, 2013, Mr. Yu filed his U.S. Senate financial disclosure report to the best of his ability with the belief that he accurately reported all information required.

Between August 2013 and October 2013, Mr. Brown made four payments under the Contract aggregating to \$50,000 to Mr. and Mrs. Yu via one check payable to Mr. Yu personally and three checks made, at the request of Mr. Yu, payable to the Committee that Mr. Yu deposited directly into the Committee's bank account. These funds represented personal funds to Mr. Yu over which he exercised discretion and control, most notably in directing the payee upon the check.

On December 6, 2013, Ms. Jennifer McNeely submitted a sua sponte submission to the FEC (hereinafter referred to as the "Sua Sponte Submission"). Ms. McNeely recognized in the Sua Sponte Submission that Mr. Yu and Mr. Brown entered into a bona fide business agreement for the purchase of real estate and believed the payments from Mr. Yu to Mr. Brown were personal funds of Mr. Yu. (Bullet Points 3 and 4). However, she then mis-characterized the payments as "excessive contributions" and "illegal deposits". Ms. McNeely indicates that "[a]s a result of the review by legal counsel... the committee was advised on the proper steps to correct the mistake" which included the Sua Sponte Submission, prepared by counsel. After this time, Mr. Yu deposited all remaining payments under the Contract in his personal bank account and used these personal funds acquired under the Contract to make subsequent loans to the Committee.

On March 26, 2014, Mr. Yu filed his House financial disclosure report to the best of his ability with the belief that he accurately reported all information required.



Subsequently, the FEC received a complaint from John E. Stone on May 19, 2014 alleging violations of certain sections of the Federal Election Campaign Act of 1971 (the "Complaint"), and the FEC sent copy of the Complaint to Treasurer of the Committee on May 22, 2014.

On June 5, 2014, Ms. McNeely filed a response with the FEC on behalf of the Committee. Ms. McNeely subsequently withdrew from representation and informed the FEC of such on June 15, 2014.

On December 15, 2015, Commission found reason to believe the Committee violated 52 U.S.C. 30104(b), and notified the Committee on December 22, 2015. Based on Mr. Yu's House and Senate financial disclosure documents, the Commission claims it finds an inference that Mr. Yu may have inaccurately reported the source of the funds the Committee reported as loans from Mr. Yu because it appears Mr. Yu only had approximately \$215,001 in *liquid assets* from which to make loans to the Committee but made *loans* in the aggregate amount of \$790,704.21 (consisting of multiple loans in the amount of \$428,984 as of February 24, 2014 and additional loans in the amount of \$361,720 after February 24, 2014). Factual and Legal Analysis at 10.

The Committee now submits this letter in response.

Discussion

The Commission should not find probable cause to believe a violation of 52 U.S.C. 30104(b) has occurred and should find the Committee accurately reported the source of the funds the Committee reported as loans from Mr. Yu.

The Factual and Legal Analysis asserts that Mr. Yu only had approximately \$215,001 in liquid assets based on Mr. Yu's House and Senate financial disclosure documents. However, the financial reports (and consequently the Commission's findings) do not take into account that Mr. Yu received six hundred fifty thousand dollars (\$650,000) in funds, after Mr. Yu filed his Senate disclosure document on July 17, 2013, from the sale of fifty percent (50%) ownership interest in the Property, jointly owned by Mr. and Mrs. Yu. Mr. Yu believed the subsequent House financial disclosure document (filed in March 2014) did not require reporting of the partial sale of the Property or funds received as a result because, upon receipt of payments for the sale of the Property, Mr. Yu immediately loaned these personal funds to the Committee. Mr. Yu did not see an appropriate place to report on his House financial disclosure form the receipt of funds under the Contract. Mr. Yu's bank account balance reported in his financial reports did not reflect these personal funds because of the constant flow of the funds from his personal account into loans to the Committee.

Payments to candidates are considered personal funds when the "candidate had the legal right of access to or control over" those funds the "candidate had (i) legal and rightful title or (ii) an equitable interest." 52 U.S.C. § 30101(26); *see also* 11 C.F.R. § 100.33. Here, Mr. Yu had legal right of access to the funds from the partial sale of the Property as the payments were made by Mr. Brown. While Mr. Brown first wrote \$45,000 worth of checks for the purchase of his interest in the Property directly to the Committee and Mr. Yu subsequently deposited those funds directly into the Committee bank account, these funds were still "personal funds" of the candidate. Mr. Yu had a legal and rightful title to receipt of the funds for the partial sale of the Property, jointly owned by Mr. and Mrs. Yu. Upon review by counsel of the transactions prior to the Sua Sponte Submission, the Committee refunded \$50,000 to Mr. Brown which Mr. Brown then paid the funds under the Contract directly to Mr. and Mrs. Yu.

Further, as the Commission recognizes, the full balance of jointly held accounts are considered personal funds of a candidate because the joint account holder has access and control over the whole account. 11 C.F.R. § 100.33(c); *see also* MURs 3505, 3560 and 3569. Mr. and Mrs. Yu were joint owners of the Property, and thus had joint access and control over the funds resulting from the partial sale of the Property

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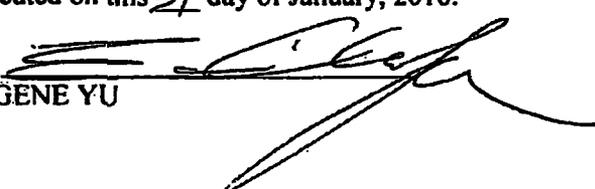
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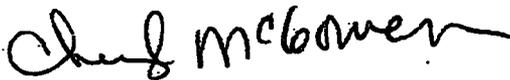
I, Eugene Yu do hereby state the following:

1. On July 1, 2013, my wife, Joni Yu, with my consent, entered into a "Contract of Partial Sale" ("Agreement") with Wayne B. Brown in the ordinary course of business to provide Mr. Brown an option to purchase 50% ownership interest in the property jointly owned by myself and my wife, located at 1082 Bertram Road, Richmond County, Georgia ("the Property").
2. In accordance with that Agreement, Mr. Brown subsequently made payments in exchange for the ownership interest in the Property and acquired such ownership interest as payments were made.
3. Between July 2013 and July 2014, Mr. Brown paid me a total of \$650,000 in exercise of his option to purchase the fifty percent (50%) ownership interest in the Property.
4. I filed my financial disclosure reports to the best of his ability with the belief that I accurately reported all information required. I did not have outside assistance in completing my financial disclosure reports. I was not aware that I may have been required to report this transaction on my House financial disclosure form because I did not receive the aggregate purchase amount (due to the break-down of payments) from Mr. Brown until after the due date of the financial disclosure form.
5. But at all times, I believed that I had a legal right to the funds of each payment once Mr. Brown made each payment and Mr. Brown received an ownership percentage of the Property in proportion to each payment made. I immediately designated those funds, which were personal funds, as loans to my campaign committee.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury that the foregoing is true and correct.

Executed on this 31 day of January, 2016.

By: 
EUGENE YU



NOTARY PUBLIC, RICHMOND COUNTY, GEORGIA
MY COMMISSION EXPIRES

1/22/17

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AFFIDAVIT

I, Wayne B. Brown do hereby state the following:

1. On July 1, 2013, I entered into a "Contract of Partial Sale" ("Agreement") in the ordinary course of business for an option to purchase 50% ownership interest in the property jointly owned by Mr. and Mrs. Eugene Yu, located at 1082 Bertram Road, Richmond County, Georgia ("the Property").
2. In accordance with that Agreement, I subsequently made payments in exchange for the ownership interest in the Property and acquired such ownership interest as payments were made.
3. Between July 2013 and July 2014, I paid Mr. Yu a total of \$650,000 in exercise of my option to purchase the fifty percent (50%) ownership interest in the Property.
4. I believed that Mr. Yu had a legal right to the funds of each payment once I made each payment and I received an ownership percentage of the Property in proportion to each payment made.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury that the foregoing is true and correct.

Executed on this 31 day of January, 2016.

By: Wayne B. Brown

Cheryl McGowan

NOTARY PUBLIC, RICHMOND COUNTY, GEORGIA
MY COMMISSION EXPIRES 2/17/2013

11767744201

CONTRACT OF PARTIAL SALE

This agreement is made and entered into this day 23rd of July, 2013, by and between Jonie Yu hereinafter "Seller" and WayneWorks, LLC, hereinafter "Purchaser".

Purchaser agrees to buy and Seller agrees to sell the real property described as follows:

An option to purchase up to Fifty (50) percent of all that certain piece, parcel or lot of land, with all improvements thereon, located at 1082 Bertram Rd, in the city of Augusta, County of Richmond, State of Georgia, and being further described as Tax Parcel ID 012-0-056-01-0.

Conveyance shall be made subject to all rights-of-way, easements and restrictive covenants of record (provided they do not make the title unmarketable), to all governmental statutes, ordinances, rules and regulations and to all other liens, leases or encumbrances, if any, expressly set forth herein and assumed by Purchaser or subject to which Purchaser shall take title to the property.

Purchaser has the right to purchase up to fifty (50) percent of the property for Six Hundred Fifty Thousand and 00/100 (\$650,000.00 dollars) to be paid as follows: Purchaser will earn ownership as monies are paid to Seller on a percentage basis up to fifty (50) percent of the total value of One Million Three Hundred Thousand Dollars (\$1,300,000). This option is good for 12 months from date on signing.

Closing costs, prepaid items, recording fees, and attorney's fees shall all be paid by the Purchaser if purchaser elects to record.

Seller agrees to convey the percentage purchased at time of purchaser's choosing and update the ownership information with the county for a marketable title and limited warranty deed free of encumbrance, except as herein stated, with all necessary documentary stamps affixed thereto. Seller has the first right of refusal to repurchase Purchaser's percentage ownership for the original amount paid plus an annual percentage rate of eight (8) percent.

Time is of the essence. Failure to act within the specified time frames constitutes a breach of the contract.

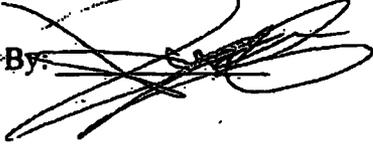
Property taxes, interest, water rents, sewer charges, fuel oil, lights and other assessments shall continue to be the responsibility of seller. All rents or other monies earned on the existing building will continue to be for the benefit of the Seller. If a new building is constructed, any rents, lease payments or other income would be divided based on ownership percentage.

In the event the Seller shall be unable to convey marketable title in accordance with the terms of this agreement, the Seller will not be required to bring any action or proceeding or otherwise to incur any expense to render the title marketable. The sole obligation of the Seller shall be to reimburse the Purchaser for its costs incurred for surveys and costs of title examination and to cancel this agreement in which event any monies paid money shall be returned to the Purchaser.

The parties hereto further agree that this written contract expresses the entire agreement between the parties and that there is no other agreement, oral or otherwise, modifying the terms hereunder.

All parties agree to accept signatures and initials electronically.

SELLER: JONIE YU

By: 

PUCHASER: WAYNEWORXKS, LLC

By: 

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